

## **MINUTES**

### **MONTANA SENATE 59th LEGISLATURE - REGULAR SESSION COMMITTEE ON STATE ADMINISTRATION**

**Call to Order:** By **CHAIRMAN CAROLYN SQUIRES**, on January 5, 2005  
at 3:00 P.M., in Room 335 Capitol.

#### **ROLL CALL**

**Members Present:**

Sen. Carolyn Squires, Chairwoman (D)  
Sen. Joe Balyeat (R)  
Sen. Vicki Cocchiarella (D)  
Sen. Mike Cooney, Vice Chairman (D)  
Sen. Jeff Essmann (R)  
Sen. Steven Gallus (D)  
Sen. Rick Laible (R)  
Sen. Dave Lewis (R)  
Sen. Jim Shockley (R)  
Sen. Joseph (Joe) Tropila (D)

**Members Excused:** None.

**Members Absent:** Sen. Jon Ellingson (D)

**Staff Present:** Claudia Johnson, Committee Secretary  
Dave Bohyer, Legislative Branch

**Please Note.** These are summary minutes. Testimony and discussion are paraphrased and condensed.

**Committee Business Summary:**

Organizational Hearing: 1/5/2005  
Executive Action: None.

**CHAIRWOMAN CAROLYN SQUIRES (D), SD 48, MISSOULA**, opened the hearing by asking the Committee Members to introduce themselves, and the districts they represent.

**DAVE BOHYER, LSD, Committee Staffer**, was introduced by **CHAIRWOMAN SQUIRES**. He gave a brief summary on the services and functions he will be performing for the Committee. He distributed three handouts that explain how to request draft amendments, and how they are applied. He discussed the legislative process, and he is available to assist the Committee or individual Committee members in obtaining data and pertinent information. He stated there are resources from state and local agencies, the federal government, and other states the Committee members can obtain information to either draft a bill or amendments pertaining to bills that are under deliberation by the committee.

[EXHIBIT\(sts03a01\)](#)

[EXHIBIT\(sts03a02\)](#)

[EXHIBIT\(sts03a03\)](#)

**CHAIRWOMAN SQUIRES** presented rules that the Committee members will abide by.

**CHAIRWOMAN SQUIRES** informed the Committee that **SEN. TROPILA** will be in charge of the proxies for the Democrats, and **SEN. LEWIS** will be in charge of the Republican proxies. **SEN. GALLUS** informed the Chair that the Republican Caucus had appointed **SEN. LAIBLE** to be in charge of the proxies for this committee.

The Committee members discussed how the proxies will be handled in Committee. **SEN. BALLYEAT** stated that other Committees he is involved in are flexible who they will designate on their proxy exactly how they wanted each bill voted on or they could give a proxy to a specific person, but it would have to be specified in writing before executive action is to take place. **CHAIRWOMAN SQUIRES** asked **SEN. BALLYEAT** how do they handle amendments. **SEN. BALLYEAT** replied that if a Senator wanted to designate a person to vote on the bill by itself without the amendments or with amendments they would give that person the authority as long as it is all specified in writing. **SEN. GALLUS** stated they also did it this way in previous sessions. **SEN. COONEY** said there should also be a timeline on the proxies, and handed to the Committee Secretary by the end of the Committee Hearing when executive action is taken.

**Motion/Vote:** **SEN. GALLUS** moved to adopt the two policies as discussed by **SEN. BALLYEAT** and **SEN. COONEY** on the procedure of handling proxies. **Motion carried 11-0 by voice vote.**

**CHAIRWOMAN SQUIRES** informed the Committee that **SEN. TROPILA** has served on the Interim State Administration Committee, and he can be the contact person when the retirement bills are presented. She also stated that **SEN. COCCHIARELLA** has previously served on this Committee, and has expertise on issues that will be heard.

**Mike O'Connor, Executive Director, Montana's Public Employees' Retirement System (PERS), Department of Administration (D of A),** presented a summary of the benefit eligibility, and a basic benefit formula that will be consistent for all public employees in the state plan. **Mr. O'Connor** distributed a handout that defines all state agency plans under the umbrella of PERS, and the formula of each plan that determines the contribution from the employees and years of service provided by the employees for retirement eligibility. **Mr. O'Connor** distributed information on the Public Employees' Retirement Board that shows the general guidelines they use in determining the level of benefits and eligibility for benefits.

**EXHIBIT**(sts03a04)

**EXHIBIT**(sts03a05)

*{Tape: 1; Side: A; Approx. Time Counter: 11-21.5}*

**Mr. O'Connor** and the **Committee Members** discussed the proposed increase in contributions by the employees, unfunded liability, and what should be the normal cost of the retirement system.

*{Tape: 1; Side: B}*

**Mr. O'Connor** distributed a report on PERS investment return from the private actuary firm that had developed a tool, which put into perspective the good and bad years from July 1, 2000, to July 1, 2004, on the PERS investment returns. **SEN. COONEY** discussed the investment returns over the last 10 years and how PERS has had an 8.2 percent return up to a 20 percent return. He wanted to know how PERS got to this point when there were eight good years and two bad years which affected the other eight years. **Mr. O'Connor** said that it takes time to recover from the huge losses, because principal and interest are both lost.

**EXHIBIT**(sts03a06)

*{Tape: 2; Side: A}*

**Mr. O'Connor** informed the Committee that when the Legislature grants a benefit to all members of a plan it creates unfunded liability which adds to the plan. When the 8.2 percent return

was granted in by the last session it added to the unfunded liability. The actuary did overstate assets which also added to the unfunded liability, and the same is true if liabilities are overlooked the assets will cause an unfunded liability.

**Dave Senn, Executive Director, Montana Teachers Retirement System (TRS)**, distributed an annual report on the Teachers' Retirement System, and gave a brief overview of the program (see annual report dated June 30, 2004 located at the office of the MTRS). He stated that the Board is appointed by the Governor, three are active members, one of which must be an active classroom teacher, and one a retired member. There are two other members that are appointed at large. He discussed the financial investments, assets, and funding the liability. He said that the TRS actuary, Millon, prepares an biannual Actuarial Valuation to determine the funded status of the system at the valuation date, and the employer contributions that are promised pension benefits. He said that each year when an investment gains or loses, they are smoothed over in a five-year period, such as: only one fifth of each year's investment gain or loss is recognized in the actuarial valuation to smooth any materialistic impact on the funded status over more than just the past two years. He reported that school districts are hiring more part-time employees, which is a cost savings on benefits paid out. **Mr. Senn** informed the Committee that the actuary report, called the Millon Report, is located on the website at [www.trs.mt.gov](http://www.trs.mt.gov).

**EXHIBIT**(sts03a07)

**{Tape: 2; Side: B}**

**Tom Schneider, Executive Director, Montana Public Employees Association (MPEA)**, informed the Committee that he didn't propose any legislation in the 2003 session nor this session that increases benefits in PERS. He stated the reason for this is they have a better understanding of the crisis at hand due to the stock market, and the need to get the funding back so they can be on a level keel. He said what happened in the market from 2001 to 2003 is beyond comprehension, and no actuary could have written a plan to overwrite the situation.

**Gordie Higgins, newly appointed Commissioner, Commission of Political Practices**, informed the Committee that his office is in charge of enforcing campaign finance practices laws, ethics laws, and lobbying laws. He said the office implements policy decisions made by the legislature. He informed the Committee that he is available for any information they may need or questions they may have.

The Committee members discussed the campaign forms available for reporting finances, and the difficulty and length of the forms.

**Mr. Higgins** said his staff is developing a process to make the forms more user friendly.

**CHAIRWOMAN SQUIRES** asked **Mr. Higgins** what his office is doing to expedite claims on emblems, signs, and figures. **Mr. Higgins** said they are receiving disclaimer information needed on campaign literature. His office is looking at ways to prioritize the complaints received.

**SEN. COCCHIARELLA** talked about electronic reporting, and that not everyone has access to a computer to take advantage of this reporting system. **Mr. Higgins** stated that his office is aware of this, and is trying to compensate for other ways of reporting.

*{Tape: 3; Side: A}*

**CHAIRWOMAN SQUIRES** informed the Committee that **SEN. SHOCKLEY** has expertise on information for veterans' issues that will be useful for the Committee, and **SEN. LEWIS** is knowledgeable on any issues that deal with the confirmation of the Governor's appointees.

**CHAIRMAN SQUIRES** discussed the appointments made by Governor Schweitzer, and advised the Committee members that the appointments will be coming into the State Administration Committee for confirmation. There are 160 boards that will need to be confirmed. She stated that the Committee will put together a plan to process the format, make Committee bills, then the bills will be voted on by the Committee before it is sent to the floor of the Senate for approval. She said that the confirmation of the Governor's appointments may have a different format than the Boards'.

**Dave Bohyer, LSD**, said that the Committee can segregate the Boards out either by individuals or groups, depending how the Committee would like to handle this.

**ADJOURNMENT**

Adjournment: 4:50 P.M.

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SEN. CAROLYN SQUIRES, Chairman

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CLAUDIA JOHNSON, Secretary

CS/cj

Additional Exhibits:

**EXHIBIT ([sts03aad0.PDF](#))**